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The AGRICULTURAL OUTLOOK DIGEST

BUREAU OF AGRICULTURAL ECONOMICS, U. S. D. A.

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Farmers' prices have been drifting downward an average of about two percent a month since mid-summer.

Sharp breaks in some commodities in early February pulled the average of all farmer's prices down about twice this much. Although prices recovered part of the declines, at mid-month, the index of prices received by farmers was 258, four percent lower than in January, 16 percent lower than the peak of January 1948. The index is now the lowest in more than two years.

Farm price declines since last summer are due chiefly to: 1. Larger supplies of many commodities as result of big 1948 crops. 2. An improved world food situation which may lead to smaller exports of some farm products.

More recently, there has been some weakening in economic activity. Unemployment from December to January made the biggest monthly increase since the end of the war. But more people still were at work than a year earlier. Industrial production is below peacetime peaks of recent months. Sales at department stores in February were below a year ago. Salary and wage payments have declined slightly. Generally, however, economic activity remains high.

Prices farmers pay have gone down much less than those they receive. In mid-February, the index of prices paid by farmers including interest and taxes was 245, only about two percent below the August 1948 record. In the same period, prices received dropped off 12 percent.

Because of the greater decline in prices received, the parity ratio for mid-February was down to 105, the lowest since July 1942.

Dropping prices for farm and food products have been responsible for most of the declines in the price indexes that have been getting headlines.

The BLS all-commodity wholesale price index for January was about 5 percent below the August peak. Practically all of the drop was due to lower prices for farm products and foods. Although fuel, lighting materials, textiles and hides and leather products have declined some, nonfarm products as a group have changed little.

The index of urban consumers' prices is down about two percent since the peaks of August and September. A six percent drop in food prices and lower clothing prices accounted for most of the decline.

FARM INCOME Farmers received about 4.5 billion dollars from sales of their products in January and February. This is four percent more than in the same period of 1948. Although prices averaged a tenth below a year earlier, marketings were much larger.

LIVESTOCK AND MEATS Meat production has declined seasonally since December but prices of most meat animals have continued down. In early February, hog prices were the lowest since OPA controls ended and prices of better grade steers were the lowest in about two years.

Part of the price declines of last fall were due to the fact that production was gaining seasonally. Price weakness in the last couple of months indicates a weakening in demand, probably due to the slackening in employment and incomes.

In the blizzard-swept areas of South Dakota, Nebraska, Wyoming and Colorado, about 81,000 head of cattle and 97,000 sheep and lambs had died up to February 1. This was two percent of the cattle and five percent of the stock sheep in those areas January 1. Condition of cattle in Western States on February 1 was the lowest since 1935, the winter after the 1934 drought. Condition of sheep was the lowest in 26 years of record.

The January 1 livestock inventory showed the number of cattle up slightly, hogs moderately and turkeys sharply over January 1, 1948. Numbers of all other species were lower than at the beginning of 1948.

DAIRY PRODUCTS Even though output will increase seasonally, prices of manufactured dairy products are not likely to decline much in the first half of 1949 because of: 1. The price support program announced for butter. 2. The purchase program for nonfat dry milk.

Fluid milk prices will decline some in coming months. But premium over prices of manufacturing milk is likely to stay large for awhile.

POULTRY AND EGGS Egg prices have declined as production turned seasonally upward. Prices averaged 41.8 cents a dozen on February 15, down 5.3 cents from a month earlier. USDA began purchasing eggs for price support in January; through February 19 had bought the equivalent of 23 million dozen in dried form.

Prospects indicate larger supplies of turkey and chicken this year than last, most of it in fall.

FATS AND OILS Prices of most fats and oils other than butter continued down through February 9, then recovered somewhat.

Estimates indicate that U. S. exports of fats and oils for 1948-49 will be well above a billion pounds, in terms of oil, compared with 946 million pounds in 1947-48.

FEEDS Sharp drops in late January and early February cut prices of feed grains 15 to 30 cents a bushel. Many of the byproduct feeds were down \$10 to \$20 per ton. In mid-February, corn averaged 32 cents below the national average loan rate, is expected to increase this spring.

Exports of feed grains in the first half of 1949 probably will total around three million tons compared with 504,000 tons in the first half of 1948.

WHEAT In late February, wheat prices were again moderately above the support level after dropping well below earlier in the month. About 89 million bushels still need to be procured for 1948-49 exports to reach 500 million bushels.

FRUITS AND VEGETABLES Unfavorable weather reduced the 1948-49 citrus crop 14 percent. This will be most noticeable to consumers in late spring and summer. Prices for citrus declined slightly in February.

Apple prices in February were about 50 percent higher than a year earlier. Cold storage stocks on February 1, were down 44 percent from February 1, 1948.

Prices to growers for fresh vegetables in March and April are likely to average lower than last year. Supplies have been smaller than a year earlier but storage supplies of cabbage and dry onions have been ample and have been priced considerably lower than in 1948.

Merchantable stocks of potatoes February 1 were estimated to be 18 percent larger than a year earlier but about a tenth smaller than the record of February 1, 1947.

Price supports for 1949 crop potatoes will be about one-third lower than for the 1948 crop. Large supplies of new potatoes this spring would make disposal of old potatoes difficult since they will be supported at the higher level.

COTTON Export demand for cotton continues good and domestic mill demand has increased in recent weeks. In February, spot prices for cotton averaged nearly as high as for any other month this season.

Entries under government loan -- mostly better grade cotton -- have declined to around 70,000 bales per week. If cotton prices do not increase substantially by March 15, as much as six million bales may be placed under loan this season.

TOBACCO Most of the 1948 tobacco crop has been sold at prices generally higher than those for the 1947 crop. Total U. S. tobacco exports during 1948 were 427 million pounds, a sixth less than in 1947. Tobacco exports in 1949 are expected to be larger.

FOOD Americans are expected to eat about the same amount of food per person this year as in 1948 when consumption was 12 percent above prewar. Compared with 1948, consumers will have more pork, less of other meats, more fats and oils, about the same amount of poultry, eggs and major dairy products. Consumption of butter, cereal products, dried fruits, potatoes and sweetpotatoes per person probably will continue below prewar averages.

Sharp declines in retail prices of food are unlikely but prices are expected to average below the record of last year.



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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

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C O R R E C T I O N

To Correspondents:

Kindly notice a slight error in text of Agricultural Outlook Digest,
released March 9, A.M. On first line in fifth paragraph, change the wording
to read:

"Prices farmers pay have gone down much LESS than those they receive."

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